Merger of R.R.B.'s with sponsoring Banks

127. SHRI P. UPENDRA: Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal under Government's consideration to merge the regional rural banks with the sponsoring nationalised commercial banks;

(b) whether it is a fact that the Planning Commission has opposed this proposal; and

(c) if so, what is the final decision of Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) No, Sir.

(b) and (c) Do not arise.

Utilisation of World Bank loans

128. SHRI PARMESHWAR KUMAR AGARWAL: Will the Minis ter of FINANCE be pleased to state:

(a) what are the plans to utilise the World Bank loan already taken/proposed to be taken, giving the details of infrastructure thus create; and

(b) what steps are being taken to generate adequate funds to repay the inierest accrued thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) World Bank assistance, consisting of loans from the International Bank for Reconstruction & Development and credits from International Development Association, arc taken for both sectoral adjustment programmes and for project-basis financial packages. Infrastructure development is thus involved only where such components form p;irt of projects in the major cpnstruciion-oricntcd sectors.

The repayment of loans and credits and related charges including interest generated thereon is not a direct function of development-oriented project package*., bu* is addressed separately under debt servicing strategies of Government of India.

Recovery of loan f: orr. Lixmi Laboratories

129. SHRI SUBRAMANIAN SWAMY: Wifl tbe Minister of FI NANCE be pleased to state:

(a) whethe/ it is a fact that the Bank ot Barcda's Overseas Branch 'n New York has filed a claim against Lax.ni Laboratories owned by two Ne-r York based NRIs for the recovery of eight lakh rupees loan extended tc the company in 1984 to procure a colour processing laboratory machine;

(b) if so, the details thereof,

(c) the names of the pcrscr whto ..tood surety/guarantee for the s<!id loan; and

(d) what is the present status of the case?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) and (b) No, Sir. However, M/s. Laxmi Laboratories have filed a claim for US $63457.90 against the Royal Insurance Company and the Bank of Baroda at New York. Bank of Earoda have filed a suit in the Delhi High Court on 14.12.1987 fcr recovery of its dues amounting to Rs. 14.04 lars.

(c) Mr. Deepak Darbari and Mr. Shankar Darbari stood sureiy/ guarantee for the said loan.

(d) The next date of hearing in the Civil suit filtd by Bank of Baroda has been fixed for 14.i2.1992.

Opening up of the Indian Capital Markets to Foreign Institutions

130. SHRI KAMAL MORARKA: SHRI CHATURANAN MISHRA SHRl N.E. BALARAM: Will the Minister of FINANCE be pleased to state:

(a) whether Government have since decided to open up Indian capital

market to foreign institutional investment on more attractive and liberal terms;

(b) if so, on what precise terms and in what respects and to what extent the same are more attractive and liberal to foreign investors;

(c) what are the details of the institutions granted FERA cleaiance; and

(d) what is the number of institutions registcicd with SEBI?

THE MINISTER OF STATE IM THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) Yes, Sir.

' (b) (i) Foreign institutional investors (FIIs), institutions such as pension funds, mutual funds, investment trusts, asset management companies, nominees companies and incorporated/institutional portfolio managers or their power of attorney holders (providing discretionary and non-discretionary portfolio management services) can invest in ail securities traded on the primary and secondary markets, including equity and other securities/instruments of companies which are listed/to be listed on the stock exchanges of India including OTC exchange.

(ii) The FIIs will require to be registered with the Securities and Exchange Board of India and also have to obtain permission of the Reserve Bank of India under Foreign Exchange Regulation Act, Reserve Bank of India's General permission will be obtained by SEBI before granting initial registration under a single window approach. This permission will be valid for a period of 3 years and renewable thereafter.

(iii) Registration with SEBI/ permission undei FERA to the foreign institutional investors, would be granted on the basis of trade record, professional 'competence, financial soundness and holding of a registration from the Securities Commission on the regulatory organisation for the stock market in the country of origin of the institutional investor.

(iv) The institutions) investor wii! be allowed to open foreign currency denominated account with designated banks permitted by RBI, special nonresident rupee account to credit all receipts by the institutional investor, transfer repatriable (After Tax) p-oceedi from the' Rupee Account to the foreign currency account and repatriate cipital, capital gains, devidends, incomes etc. arising from the investments made, after deductions of withholding tax on capital gains.

(v) There would be no lock-in-period for any investments made by FIIs in the primary market and secondary market.

(vi) There is a ceiling of maximum of 5% of the total issued capital of a company by a single FII. The total, holdings of all registered FIIs and NRI corporate and non-corporate investments is 24% excluding foreign investment under financial collaborations, permitted upto 51%, and off shore funds, global depository receipts, and Euro convertibles

(vii) A concessional tax regime of flat rate of 20% of dividend and interest income and a tax rate of 10% on longterm capital gains have been given to the foreign institutional investors.

(viii) These guidelines are attractive and liberal to FIIs and that they permit a concessional rate of taxation for the FIIs.

(c) .and (d) So far two foreign institutional investors have been granted registration by SEBI and FERA approval by RBI for a period 5 years. These institutions are Barclays deZocte Wedd Investment Management Limited of U.K. and Aga Khan Foundation for Economic Development of Switzerland.